

CITY OF SARATOGA SPRINGS

FINANCIAL STATEMENTS

JUNE 30, 2006

CITY OF SARATOGA SPRINGS
TABLE OF CONTENTS

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	2-8
<u>Basic Financial Statements</u>	
Statement of Net Assets.....	9
Statement of Activities.....	10
Governmental Funds	
Balance Sheet.....	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	12
Statement of Revenues, Expenditures and Changes in Fund Balances.....	13
Reconciliation of the Statement of Revenues, Expenses, and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	14
Proprietary Funds	
Statement of Net Assets.....	15
Statement of Revenues, Expenditures and Changes in Fund Net Assets.....	16
Statement of Cash Flows.....	17-18
Notes to Financial Statements.....	19-36
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget & Actual – General Fund.....	37
Supplemental Information	
Schedule of Impact Fees.....	38-40
Other Reports	
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41
Independent Auditor's Report on Legal Compliance with Applicable Utah State Laws and Regulations.....	42-43

GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

RANDEL A HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H. PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA
ROBERT PHELPS, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Saratoga Springs
Saratoga Springs, UT

February 7, 2007

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Saratoga Springs (City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

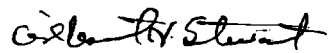
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Saratoga Springs as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued a report dated February 7, 2007 on our consideration of the City of Saratoga Springs's internal control structure over financial reporting and on our test of its compliance with certain laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to decide the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information as listed in the Table of Contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Saratoga Springs' basic financial statements. The Schedule of Impact Fees listed in the supplementary section of the Table of Contents is presented for the purposes of additional analysis and is not a required part of the financial statements of the City of Saratoga Springs. This schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.


GILBERT & STEWART
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Saratoga Springs, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The total assets of the City of Saratoga Springs exceeded its liabilities at the close of the most recent fiscal year by \$103,772,086 (net assets).
- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,967,291. Of this amount \$2,824,118 (31%) is available for spending at the government's discretion (unreserved fund balance).
- The total net assets of \$103,772,086 are made up of \$94,223,399 in capital assets net of related debt and \$9,548,687 in other net assets.

Reporting the City as a Whole

This discussion and analysis is intended to serve as an introduction to the City of Saratoga Springs basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the City of Saratoga Springs finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of the City of Saratoga Springs assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of The City of Saratoga Springs is improving or deteriorating.
- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City of Saratoga Springs that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 12 & 13 of this report.

Reporting the City's Most Significant Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Saratoga Springs also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and enterprise funds.

- Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's activities. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The governmental fund financial statements can be found on pages 14-14 of this report.

The major governmental funds (as determined by generally accepted accounting principles) are the General Fund, and the Capital Projects Fund. The balances remaining in other governmental funds are determined to be non-major and are included in the combined statements within this report.

- Enterprise funds - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Saratoga Springs uses enterprise funds to account for its Water Utility, Sewer Utility, and Garbage Utility.

The basic enterprise fund financial statements can be found on pages 15-18 of this report.

Government-Wide Financial Analysis

By far the largest portion of the City of Saratoga Springs net assets (91%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Saratoga Springs Net Assets

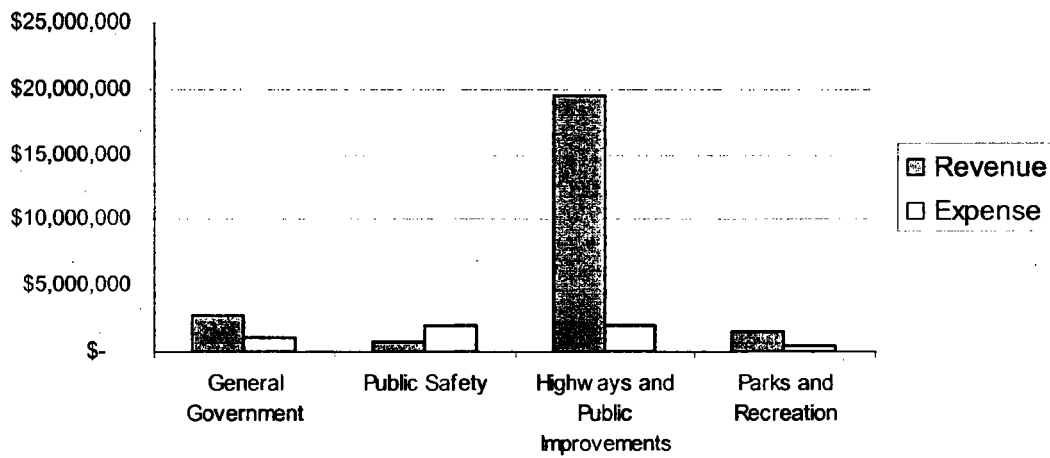
	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Current and other assets	\$ 8,000,821	\$ 11,710,541	\$ 1,871,225	\$ 2,591,122	\$ 9,872,046	\$ 14,301,663
Capital assets	32,004,599	50,291,465	34,067,536	67,514,030	66,072,135	117,805,495
Total assets	40,005,420	62,002,006	35,938,761	70,105,152	75,944,181	132,107,158
Long-term debt outstanding	1,405,365	1,631,592	2,181,000	21,987,349	3,586,365	23,618,941
Other liabilities	2,055,320	2,716,561	158,079	1,999,570	2,213,399	4,716,131
Total liabilities	3,460,685	4,348,153	2,339,079	23,986,919	5,799,764	28,335,072
Net assets:						
Invested in capital assets, net of related debt	30,518,073	48,696,718	32,018,536	45,526,681	62,536,609	94,223,399
Restricted	4,952,261	5,842,246	1,664,985	2,074,087	6,617,246	7,916,333
Unrestricted	1,074,401	3,114,889	(83,839)	(1,482,535)	990,562	1,632,354
Total net assets	36,544,735	57,653,853	33,599,682	46,118,233	70,144,417	103,772,086

City of Saratoga Springs Changes in Net Assets

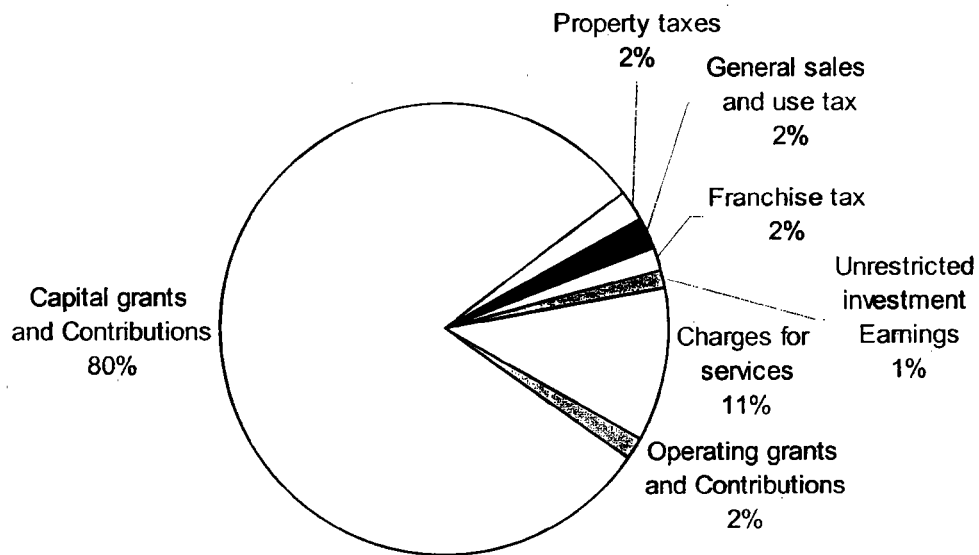
	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Revenues:						
Program Revenues:						
Charges for services	\$ 2,016,061	\$ 2,908,541	\$ 3,236,525	\$ 5,933,947	\$ 5,252,586	\$ 8,842,488
Operating grants and Contributions	249,690	436,226	-	-	249,690	436,226
Capital grants and Contributions	7,028,447	21,313,394	5,597,732	10,632,313	12,626,179	31,945,707
General Revenues:						
Property taxes	472,781	589,660			472,781	589,660
General sales and use tax	359,176	641,275			359,176	641,275
Franchise tax	268,661	400,554			268,661	400,554
Unrestricted investment Earn Transfers	120,280	385,433	26,796	94,246	147,076	479,679
-	-	-	-	-	-	-
Total revenues	10,515,096	26,675,083	8,861,053	16,660,506	19,376,149	43,335,589
Expenses:						
General Government	829,609	1,064,188			829,609	1,064,188
Public safety	1,169,177	1,934,221			1,169,177	1,934,221
Highways and public improvements	1,638,328	2,039,020			1,638,328	2,039,020
Parks and recreation	346,692	451,937			346,692	451,937
Interest on long-term debt	39,891	76,603			39,891	76,603
Water utility			1,736,325	2,620,541	1,736,325	2,620,541
Sewer utility			839,375	1,120,299	839,375	1,120,299
Garbage Utility			267,612	401,114	267,612	401,114
Total expenses	4,023,697	5,565,969	2,843,312	4,141,954	6,867,009	9,707,923
Increase in net assets	6,491,399	21,109,114	6,017,741	12,518,552	12,509,140	33,627,666
Net assets - beginning	30,053,336	36,544,739	27,581,941	33,599,681	57,635,277	70,144,420
Net assets - ending	36,544,735	57,653,853	33,599,682	46,118,233	70,144,417	103,772,086

The following graphs display the government-wide activities for governmental activities reflected in the above tables:

Program Revenues and Expenses - Governmental Activities

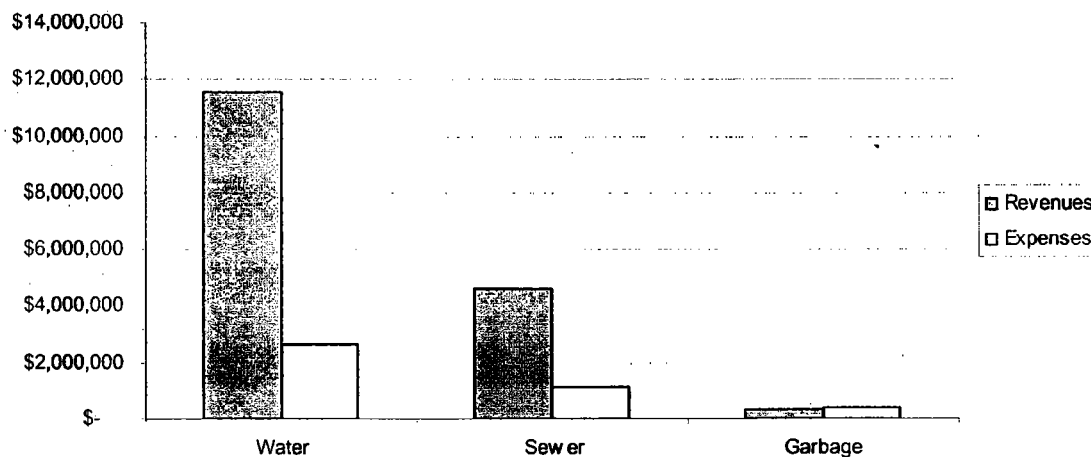


Revenues by Source - Governmental Activities

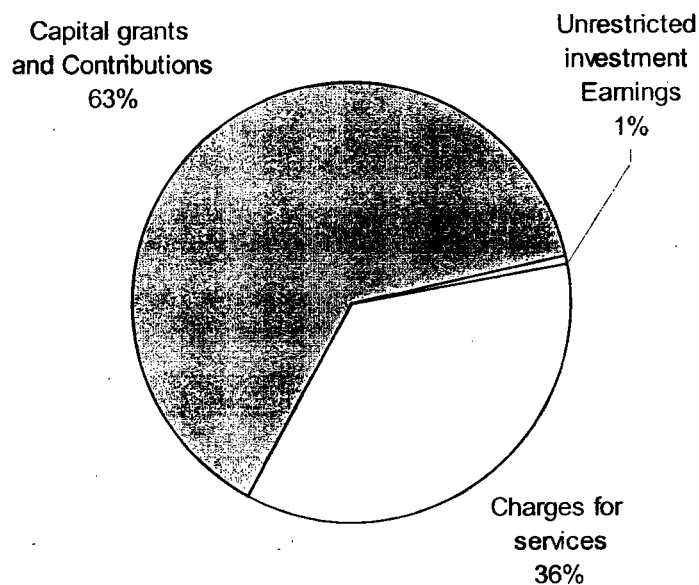


Business-type activities. Business-type activities increased the City's net assets by \$12,518,552. As of the end of the current fiscal year, the water and sewer business-type funds reported net assets while the garbage business-type fund reported a net liability.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$8,967,291. Of this total amount, \$2,824,118 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved, indicating that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$637,022, while total fund balance reached \$1,069,362. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14.35% of total general fund expenditures, while total fund balance represents 24.09% of that same amount.

The capital projects fund has a total fund balance of \$7,853,609, all of which is designated for the payment of capital improvement projects.

The City maintains enterprise funds to account for the business-type activities of the City. The information for the funds can be found on pages 15-18 of the basic financial statements.

General Fund Budgetary Highlights

During the fiscal year, the General Fund's original budget was amended from an expenditure total of \$4,037,217 to a final budget of \$5,525,461, an increase of \$1,488,244. These increases are briefly summarized as follows:

- \$860,807 increase in public safety operations.
- \$62,569 increase in parks & recreation operations.
- \$871,392 to be transferred to the capital projects fund.
- \$165,950 increase in debt service payments.
- \$(301,510) decrease in highways and public improvements.
- \$(170,963) decrease in general government activities.

The \$1,488,244 increase in budgeted expenditures was coupled with an increase in budgeted revenues from \$3,508,800 to a final budget of \$5,057,652, an increase of \$1,548,852 in General Fund Revenues & Financing Sources. These increases are briefly summarized as follows:

- \$392,325 increase in sales, property and franchise tax collections.
- \$302,372 increase in building permit fee collections.
- \$383,468 increase in federal and state grants.
- \$471,314 increase in charges for services.
- \$77,692 increase in miscellaneous revenues.
- (\$78,319) decrease in other financing sources.

Capital Assets and Debt Administration

Capital Assets. The City of Saratoga Springs investment in capital assets for its governmental

and business-type activities as of June 30, 2006, amounts to \$117,805,495 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, construction in progress, and water rights. The total increase in the City's investment in fixed assets for the current year was 78% (a 57% increase in governmental activities and a 98% increase for business type activities). Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt. At the end of the current year, the City had total long-term debt outstanding of \$23,618,941. Of this amount \$1,700,191 is general obligation debt, while \$21,918,750 is secured solely by specific revenue sources (i.e., revenue bonds). Total bonded debt amounts to \$4,294,346 while the remaining \$19,324,595 is for a long-term purchase contract.

The City's total outstanding debt increased by \$20,032,576 during the current fiscal year. The key factor in this increase was recording the final purchase agreement of Lake Mountain Mutual Water Company assets.

Additional information on the City's long-term debt can be found in the footnotes to this financial report.

Request for Information

This financial report is designed to provide a general overview of the City of Saratoga Springs' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: The City of Saratoga Springs, City Accountant, 1307 N Commerce Dr, Suite 200, Saratoga Springs, UT, 84043.

BASIC FINANCIAL STATEMENTS

CITY OF SARATOGA SPRINGS

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,604,247	\$ 1,844,804	\$ 12,449,051
Cash - Restricted	-	583,160	583,160
Receivables - net	780,791	381,867	1,162,658
Internal Balances	300,927	(300,927)	-
Prepaid expenses	24,576	-	24,576
Deferred bond financing cost - net	-	82,218	82,218
Capital assets (net of accumulated depreciation):			
Land	9,922,007	-	9,922,007
Buildings	2,490,147	-	2,490,147
Improvements and Infrastructure	35,845,434	58,468,908	94,314,342
Equipment	747,667	244,144	991,811
Construction in Progress	1,286,210	-	1,286,210
Water Rights, Stock, and Capacity	-	8,800,978	8,800,978
Total assets	<u>62,002,006</u>	<u>70,105,152</u>	<u>132,107,158</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,986,414	659,766	2,646,180
Bond interest payable	3,698	42,108	45,806
Deposits	242,208	34,785	276,993
Deferred revenue	484,241	1,262,911	1,747,152
Noncurrent Liabilities			
Due within one year	91,481	1,093,178	1,184,659
Due in more than one year	1,540,111	20,894,171	22,434,282
Total liabilities	<u>4,348,153</u>	<u>23,986,919</u>	<u>28,335,072</u>
NET ASSETS			
Invested in capital assets, net of related debt	48,696,718	45,526,681	94,223,399
Restricted for Roads and Impact Fees	5,842,246	2,074,087	7,916,333
Unrestricted	3,114,889	(1,482,535)	1,632,354
Total net assets	<u>\$ 57,653,853</u>	<u>\$ 46,118,233</u>	<u>\$ 103,772,086</u>

The notes are an integral part of the financial statements.

CITY OF SARATOGA SPRINGS

Statement of Activities

For the Year Ended June 30, 2006

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Primary Government		
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary government:						
Governmental activities:						
General government	\$ 1,064,188	\$ 2,757,952	\$ -	\$ -	\$ 1,693,764	\$ -
Public safety	1,934,221	17,827	184,824	629,692	(1,101,878)	(1,101,878)
Highways and public improvements	2,039,020	87,187	251,402	19,147,750	17,447,319	17,447,319
Parks and recreation	451,937	45,575	-	1,535,952	1,129,590	1,129,590
Interest on long-term debt	76,603	-	-	-	(76,603)	(76,603)
Total governmental activities	<u>5,565,969</u>	<u>2,908,541</u>	<u>436,226</u>	<u>21,313,394</u>	<u>19,092,192</u>	<u>19,092,192</u>
Business-type activities:						
Water Utility	2,620,541	4,036,103	-	7,532,481	-	8,948,043
Sewer Utility	1,120,299	1,534,738	-	3,099,832	-	3,514,271
Garbage Utility	401,114	363,106	-	-	-	(38,008)
Total business-type activities	<u>4,141,954</u>	<u>5,933,947</u>	<u>-</u>	<u>10,632,313</u>	<u>-</u>	<u>12,424,306</u>
Total primary government	<u>\$ 9,707,923</u>	<u>\$ 8,842,488</u>	<u>\$ 436,226</u>	<u>\$31,945,707</u>	<u>19,092,192</u>	<u>31,516,498</u>
General revenues:						
Property taxes					589,660	-
General sales and use tax					641,275	-
Franchise tax					400,554	-
Unrestricted investment earnings					385,433	94,246
Total general revenues					<u>2,016,922</u>	<u>94,246</u>
Change in net assets					21,109,114	12,518,552
Net assets - beginning					36,544,739	33,599,681
Net assets - ending					<u>\$57,653,853</u>	<u>\$46,118,233</u>
						<u>\$103,772,086</u>

The notes are an integral part of the financial statements.

CITY OF SARATOGA SPRINGS

Balance Sheet Governmental Funds June 30, 2006

	General Fund	Capital Project Fund	Non-Major Special Revenue Street Lighting SID	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,275,837	\$ 8,296,035	\$ 32,375	\$ 10,604,247
Receivables (net):				
Property tax	535,491	-	-	535,491
Sales tax	140,700	-	-	140,700
Other	20,621	-	12,608	33,229
Intergovernmental	71,371	-	-	71,371
Prepaid expense	24,576	-	-	24,576
Advance receivable - interfund	-	300,927	-	300,927
Total assets	<u>\$ 3,068,596</u>	<u>\$ 8,596,962</u>	<u>\$ 44,983</u>	<u>\$ 11,710,541</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable & accrued liabilities	\$ 1,242,398	\$ 743,353	\$ 663	\$ 1,986,414
Building escrow deposits	242,208			242,208
Deferred revenue	514,628	-	-	514,628
Total liabilities	<u>1,999,234</u>	<u>743,353</u>	<u>663</u>	<u>2,743,250</u>
Fund Balances:				
Fund balances reserved for:				
Roads and impact fees	432,340	5,409,906	-	5,842,246
Advance to sewer fund	-	300,927	-	300,927
Unreserved, reported in:				
General Fund	637,022	-	-	637,022
Special Revenue Funds	-	-	44,320	44,320
Capital Project Fund	-	2,142,776	-	2,142,776
Total fund balances	<u>1,069,362</u>	<u>7,853,609</u>	<u>44,320</u>	<u>8,967,291</u>
Total liabilities and fund balances	<u>\$ 3,068,596</u>	<u>\$ 8,596,962</u>	<u>\$ 44,983</u>	<u>\$ 11,710,541</u>

The notes are an integral part of the financial statements.

CITY OF SARATOGA SPRINGS
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
For the Year Ended June 30, 2006

Total fund balances - governmental fund types:	\$ 8,967,291
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	50,291,465
Property taxes levied in prior years but not yet received are reported as deferred revenue in the governmental funds, but are recorded as revenues in the prior year net assets in the statement of activities.	30,387
Compensated absences and bond interest are not due and payable in the current period and therefore are not reported in the funds	(40,543)
Long-term liabilities, including capital leases payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,594,747)</u>
Net assets of government activities	<u><u>\$ 57,653,853</u></u>

The notes are an integral part of the financial statements.

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General Fund	Capital Project Fund	Non-Major Special Revenue Street Lighting SID	Total Governmental Funds
REVENUES				
Taxes	\$ 1,643,200	\$ -	\$ -	\$ 1,643,200
Licenses and permits	898,102	-	-	898,102
Intergovernmental	425,849	134,709	-	560,558
Charges for services	1,865,895	-	84,188	1,950,083
Developer cash contributions	-	1,098,000	-	1,098,000
Impact fees	-	3,737,048	-	3,737,048
Miscellaneous revenue	195,844	257,323	2,999	456,166
Total revenues	<u>5,028,890</u>	<u>5,227,080</u>	<u>87,187</u>	<u>10,343,157</u>
EXPENDITURES				
Current:				
General government	946,167	-	-	946,167
Public safety	2,238,115	1,257,622	-	3,495,737
Highways and public improvements	867,775	531,902	76,650	1,476,327
Parks and recreation	221,819	1,255,696	-	1,477,515
Debt service:				
Principal retirement	92,369	-	7,526	99,895
Interest and fiscal charges	72,726	-	179	72,905
Total expenditures	<u>4,438,971</u>	<u>3,045,220</u>	<u>84,355</u>	<u>7,568,546</u>
Excess revenues over (under) expenditures	<u>589,919</u>	<u>2,181,860</u>	<u>2,832</u>	<u>2,774,611</u>
Other financing sources (uses)				
Capital Lease Proceeds	289,277	-	-	289,277
Transfers in	-	796,842	-	796,842
Transfers out	(796,842)	-	-	(796,842)
Total other financing sources and uses	<u>(507,565)</u>	<u>796,842</u>	<u>-</u>	<u>289,277</u>
Net change in fund balance	82,354	2,978,702	2,832	3,063,888
Fund balances - beginning of year	987,008	4,874,907	41,488	5,903,403
Fund balances - end of year	<u>\$ 1,069,362</u>	<u>\$ 7,853,609</u>	<u>\$ 44,320</u>	<u>\$ 8,967,291</u>

The notes are an integral part of the financial statements.

CITY OF SARATOGA SPRINGS
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 3,063,888
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,943,225
Contributions of capital assets not reported in the funds.	16,343,637
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds -- delinquent property tax	(11,711)
Compensated absences and bond interest are not due and payable in the current period and therefore are not reported in the funds.	(40,543)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(189,382)</u>
Change in net assets of governmental activities	<u>\$ 21,109,114</u>

The notes are an integral part of the financial statements.

CITY OF SARATOGA SPRINGS

Statement of Net Assets

Proprietary Funds

June 30, 2006

	Business-Type Activities - Enterprise			Total
	Water Utility	Sewer Utility	Non-Major Garbage Utility	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 839,447	\$ 1,005,357	\$ -	\$ 1,844,804
Accounts receivable - net	152,111	176,881	52,875	381,867
Due From Other Funds	52,012	-	-	52,012
Total current assets	1,043,570	1,182,238	52,875	2,278,683
Noncurrent assets:				
Restricted cash and cash equivalents	583,160	-	-	583,160
Land, equipment, buildings and improv.	50,679,120	12,917,252	-	63,596,372
Less: Accumulated depreciation	(3,680,599)	(1,202,721)	-	(4,883,320)
Water Rights and Stock	8,800,978	-	-	8,800,978
Deferred bond financing costs - net	82,218	-	-	82,218
Total noncurrent assets	56,464,877	11,714,531	-	68,179,408
Total assets	\$ 57,508,447	\$ 12,896,769	\$ 52,875	\$ 70,458,091
LIABILITIES				
Current liabilities:				
Accounts payable & accrued liabilities	\$ 673,736	\$ 26,126	\$ 2,012	\$ 701,874
Due to Other Funds	-	-	52,012	52,012
Deferred Revenue	1,262,911			1,262,911
Deposits	26,148	8,637	-	34,785
Note, Bonds, Capital Leases	1,090,444	2,734	-	1,093,178
Total current liabilities	3,053,239	37,497	54,024	3,144,760
Noncurrent liabilities:				
Advance from Capital Projects Fund	-	300,927	-	300,927
Note, Bonds and Capital Leases	20,876,148	18,023	-	20,894,171
Total noncurrent liabilities	20,876,148	318,950	-	21,195,098
Total liabilities	23,929,387	356,447	54,024	24,339,858
Net Assets:				
Invested in cap assets, net of related debt	33,832,907	11,693,774	-	45,526,681
Restricted for impact fees	268,258	1,805,829	-	2,074,087
Unrestricted	(522,105)	(959,281)	(1,149)	(1,482,535)
Total net assets	\$ 33,579,060	\$ 12,540,322	\$ (1,149)	\$ 46,118,233

The notes are an integral part of the financial statements.

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise			Total
	Water Utility	Sewer Utility	Non-Major Garbage Utility	
Operating revenues:				
Charges for Services	\$ -	\$ 762,628	\$ 363,106	\$ 1,125,734
Water Charges for services pledged as security for revenue bonds	1,019,969	-	-	1,019,969
Fees and Miscellaneous	30,061	-	-	30,061
Total operating revenues	1,050,030	762,628	363,106	2,175,764
Operating expenses:				
Personnel	103,062	143,368	60,055	306,485
Supplies and Maintenance	319,595	173,381	-	492,976
Power and Heating	208,721	18,067	-	226,788
Professional Services	109,519	44,022	-	153,541
Depreciation	1,684,991	376,981	-	2,061,972
Miscellaneous	29,371	20,594	2,286	52,251
Charges for Treatment and Sanitation		293,840	338,773	632,613
Amortization of bond financing costs	60,721	-	-	60,721
Total operating expenses	2,515,980	1,070,253	401,114	3,987,347
Operating income	(1,465,950)	(307,625)	(38,008)	(1,811,583)
Nonoperating revenues (expenses):				
Interest revenue	56,055	38,191	-	94,246
Impact Fees	2,986,073	772,110	-	3,758,183
Interest expense and fiscal charges	(104,561)	(50,046)	-	(154,607)
Total nonoperating revenues (expenses)	2,937,567	760,255	-	3,697,822
Net income (Loss) before contributions	1,471,617	452,630	(38,008)	1,886,239
Developers Contributions	7,532,481	3,099,832	-	10,632,313
Change in net assets	9,004,098	3,552,462	(38,008)	12,518,552
Total net assets - beginning	24,574,962	8,987,860	36,859	33,599,681
Total net assets - ending	\$ 33,579,060	\$ 12,540,322	\$ (1,149)	\$ 46,118,233

The notes are an integral part of the financial statements.

CITY OF SARATOGA SPRINGS
Statement of Cash Flows Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise			Total
	Water Utility	Sewer Utility	Non-Major Garbage Utility	
Cash Flows From Operating Activities				
Receipts from customers	\$ 1,032,826	\$ 726,068	\$ 349,256	\$ 2,108,150
Payments to suppliers	(554,481)	(524,373)	(340,688)	(1,419,542)
Payments (to) from other funds	(51,487)		51,487	-
Payments to employees	(94,134)	(138,303)	(60,055)	(292,492)
Net cash provided (used) by operating activities	332,724	63,392	-	396,116
Cash Flows From Noncapital Financing Activities	-	-	-	-
Cash Flows From Capital and Related Financing Activities				
Bond costs paid	(84,326)			(84,326)
Impact fees	2,986,073	772,110	-	3,758,183
Purchases of capital assets	(4,140,368)	(855,574)	-	(4,995,942)
Proceeds from new debt	2,631,000	-	-	2,631,000
Principal paid on debt	(3,899,556)	(105,894)	-	(4,005,450)
Interest paid on capital debt	(103,118)	(50,046)	-	(153,164)
Contributions from developers	2,884,857	-	-	2,884,857
Net cash provided (used) by capital and related financing activities	274,562	(239,404)	-	35,158
Cash Flows From Investing Activities				
Interest and dividends received	56,055	38,191	-	94,246
Net cash provided (used) by investing activities	56,055	38,191	-	94,246
Net increase (decrease) in cash and cash equivalents	663,341	(137,821)	-	525,520
Cash and cash equivalents - beginning	759,266	1,143,178	-	1,902,444
Cash and cash equivalents - end	\$ 1,422,607	\$ 1,005,357	\$ -	\$ 2,427,964

The notes are an integral part of the financial statements.

CITY OF SARATOGA SPRINGS
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise			Total
	Water Utility	Sewer Utility	Non-Major Garbage Utility	
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ (1,465,950)	\$ (307,625)	\$ (38,008)	\$ (1,811,583)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,684,991	376,981	-	2,061,972
Amortization expense	60,721	-	-	60,721
(Increase) decrease in accounts receivable	(17,204)	(36,560)	(13,850)	(67,614)
(Increase) decrease in due from other funds	(51,487)			(51,487)
Increase (decrease) in due to other funds	-		51,487	51,487
Increase (decrease) in deposits		8,637		8,637
Increase (decrease) in accounts payable	121,653	21,959	371	143,983
Total adjustments	1,798,674	371,017	38,008	2,207,699
Net cash provided (used) by operating activities	\$ 332,724	\$ 63,392	\$ -	\$ 396,116

Supplementary information:

Non-cash items from capital and related financing activities include contributions by developers to the water system of \$5,910,535 and to the sewer system of \$3,099,832; and capital assets which were financed in the water fund of \$21,056,113 and in the sewer fund of \$23,493; and accruals to construction in progress in the water fund of \$424,881.

Interest paid on capital debt is \$ 103,118

The notes are an integral part of the financial statements.

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Saratoga Springs' (the City) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies FASB pronouncements issued after that date to its business-type activities and enterprise funds. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

City of Saratoga Springs was incorporated December 30, 1997 under laws of the State of Utah. Under the present form of government, administrative and legislative powers are vested in a governing body, consisting of the Mayor and a City Council. They are assisted by a City Manager, who is also the City's Budget Officer. The City Manager is currently responsible for the financial matters of the City, including money management, accounts payable, financial statements, and accounts receivable.

The City provides the following services as mandated by law: Public Safety, Highways and Public Improvements, Water, Sewer and Sanitation, Planning and Zoning, and General Administrative Services

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statements of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – SUMMARY (*Continued*)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt as well as expenditures related to compensated absences, claims, and judgments, which are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The *capital projects fund* accounts for financial resources to be used for the acquisition or construction of major capital improvements other than those financed by the enterprise funds.

The government reports the following major proprietary funds:

The *water fund* accounts for the activities of the City’s water operations.

The *sewer fund* accounts for the activities of the City’s sewer operations.

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – SUMMARY (*Continued*)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations.

Additionally, the government reports the following fund types:

The *Special Revenue Fund* accounts for the activities of the Street Lighting Special Improvement District.

The *Garbage Utility Fund* accounts for the activities of the City's sanitation operations.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments consist of amounts deposited with Utah Public Treasurers' Investment Fund, treasury bills of the U.S. Government, and money market funds. Investments are stated at fair value, which approximates cost.

2. Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds".

3. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Restricted assets are comprised of cash restricted for future payments of principal and interest on debt services. Cash received from developers for the construction of a water and sewer system is also classified as restricted.

Restricted resources rather than unrestricted resources are used first to fund related appropriations.

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – SUMMARY *(Continued)*

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and structures	25
Improvements other than buildings	15-30
Infrastructure	30
Machinery and equipment	5-10

6. Compensated absences

City employees accrue earned vacation throughout the year. Unpaid vacation expires at the end of the calendar year. All vacation pay is accrued when incurred. A liability for these amounts is reported in the financial statements.

7. Taxes

In Utah, county governments assess, levy, collect and disburse two principal types of tax: (1) personal property tax which is assessed on business assets other than real estate, and (2) tax on real estate and improvements. Business personal property and real estate taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on all business personal property on January 1st and real estate and improvement taxes are levied on January 1st and

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – SUMMARY *(Continued)*

are payable by November 30th. The real property taxes that are due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by deferred revenue.

The City Council is authorized by state statute to levy a tax against all real and personal property located within its boundaries. The Council must set a tax rate by June 22nd each year. The County Treasurer, acting as a tax collector, must settle and disburse all tax collections to all taxing entities on a routine basis.

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the accrual debt proceeds received, are reported as debt service expenditures.

9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Use of estimates

Presenting financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues, and expenses. Actual results may vary from these estimates.

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets.

This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the city as a whole.

Cost of capital assets	\$54,758,139
Accumulated depreciation	(4,466,674)

Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>)	<u>\$50,291,465</u>
--	---------------------

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

Capital outlay	\$ 3,524,998
Depreciation expense	(1,581,773)

Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$1,943,225</u>
--	--------------------

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2 – RECONCILIATION (*Continued*)

Another element of that reconciliation states, “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

Debt issued or retired:

Principal paid on bonds and capital leases	\$ 99,895
Issuance of long-term debt	(289,277)
Total debt incurred	<u>(\$ 189,382)</u>

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are prepared and adopted in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah. Once a budget has been adopted, it remains in effect until it has been formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the City. Budgets are adopted on a basis consistent with generally accepted accounting principles. All funds of the City have legally adopted budgets.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. On or before the first regularly scheduled meeting of the City Council in May, the City administrator, authorized under state statute to be appointed budget officer, submits a proposed operation budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is given in the local newspaper at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22nd, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1st.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The City Administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing as required in B) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to reappropriation. Therefore, no encumbrances are presented in the financial statements.

During the budget year, the City amended the budget using the above procedures.

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Deposits

Deposits – Custodial Credit Risk. Custodial risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. The City considers the actions of the State Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. City funds are deposited in qualified depositories as defined by the Act. The City does not have a deposit policy for custodial credit risk. As of June 30, 2006, the City's custodial credit risk for deposits were as follows:

Depository Account	Custodial Credit Risk	Balance June 30, 2006
Checking & Savings Accounts	Insured	\$ -
Checking & Savings Accounts	Uninsured and Uncollateralized	934,779
		<u>\$ 934,779</u>

B. Investments

The City's investments are managed through participation in the State Public Treasurers' Investment Fund. The City also has funds in bond accounts at US Bank invested in money market mutual funds and at Wells Fargo invested in the Public Treasurer's Investment Fund. As of June 30, 2006 The City had the following investments:

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4 – CASH (Continued)

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Utah Public Treasurers' Investment Fund	Less than one year	<u>\$12,604,891</u>

Investments–Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest risk is managed by compliance to the Utah Money Management Act which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

Investments–Credit Risk. The City follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers Investment Fund (PTIF), certificates of Deposits. U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, bankers' acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah. The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices.

At June 30 2006, the City had the following quality ratings:

<u>Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Utah Public Treasurer's Investment Fund	\$ 12,604,891	\$ -	\$ -	\$ -	\$12,604,891

Investments-Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk.

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5 - RECEIVABLES

Receivables as of year end for the government's individual major fund and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	General	Water	Sewer	NonMajor Enterprise	Non major Governmental	Total
Accounts	\$ -	\$155,111	\$178,881	\$54,875	\$ 0	\$388,867
Property Tax	535,491					535,491
Sales Tax	140,700					140,700
Other	20,621				12,608	33,229
Intergovernmental	71,371					71,371
Less: Allowance						
For uncollectible accts		(3,000)	(2,000)	(2,000)		(7,000)
Total	<u>\$ 768,183</u>	<u>\$152,111</u>	<u>\$176,881</u>	<u>\$52,875</u>	<u>\$ 12,608</u>	<u>\$1,162,658</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (General Fund)	<u>\$514,628</u>	<u>\$ -</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

The composition of interfund balances as of year end is as follows:

Due to/from other funds and advances:

<u>Receivable fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Utility	Garbage Utility	\$ 52,012
Capital Project Fund - Advance	Sewer Utility	<u>300,927</u>
Total		<u>\$ 352,939</u>

Transfer In:
Capital Project

Transfer Out:	
General Fund	<u>\$796,842</u>

Transfers, advances, and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. The advance from the Capital Projects Fund to the Sewer Fund is not expected to be repaid within one year.

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government	Beginning			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Construction in Process	\$ 81,161	\$ 1,286,210	\$ 81,161	\$ 1,286,210
Land	7,358,407	2,563,600	-	9,922,007
Total capital assets not being depreciated	7,439,568	3,849,810	81,161	11,208,217
Capital assets being depreciated:				
Buildings	1,345,892	1,330,762	53,459	2,623,195
Machinery and equipment	614,528	444,934	-	1,059,462
Infrastructure	25,542,975	14,324,290	-	39,867,265
Total capital assets being depreciated	27,503,395	16,099,986	53,459	43,549,922
Less accumulated depreciation for:				
Buildings	78,130	108,377	53,459	133,048
Machinery and equipment	161,966	149,829	-	311,795
Infrastructure	2,698,264	1,323,567	-	4,021,831
Total accumulated depreciation	2,938,360	1,581,773	53,459	4,466,674
Total capital assets, being depreciated, net	24,565,035	14,518,213	-	39,083,248
Governmental activities capital assets, net	\$ 32,004,603	\$ 18,368,023	\$ 81,161	\$ 50,291,465
	Beginning			Ending
Business-type activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Construction in Process	\$ -	\$ 3,378,228	\$ -	\$ 3,378,228
Water Shares	7,487,411	1,313,567	-	8,800,978
Total capital assets not being depreciated	7,487,411	4,691,795	-	12,179,206
Capital assets being depreciated:				
Water Capacities	2,450,988	8,500,000	-	10,950,988
Improvements	26,675,205	22,203,215	-	48,878,420
Machinery and equipment	275,281	113,455	-	388,736
Total capital assets being depreciated	29,401,474	30,816,670	-	60,218,144
Less accumulated depreciation for:				
Water Capacities		547,549		547,549
Improvements	2,723,619	1,467,560	-	4,191,179
Machinery and equipment	97,728	46,864	-	144,592
Total accumulated depreciation	2,821,347	2,061,973	-	4,883,320
Total capital assets, being depreciated, net	26,580,127	28,754,697	-	55,334,824
Business-type activities capital assets, net	\$ 34,067,538	\$ 33,446,492	\$ -	\$ 67,514,030

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:

General government	\$ 111,789
Public safety	89,138
Highways and public improvements	1,103,383
Parks and recreation	<u>277,463</u>
Total depreciation expense – governmental activities	<u><u>\$1,581,773</u></u>

Business – type activities:

Water	\$1,684,991
Sewer	376,982
Garbage	<u>-</u>
Total Business-type activities	<u><u>\$2,061,973</u></u>

Commitments – As of June 30, 2006, the City was involved in several projects.

<u>Project</u>	<u>Contract Amount</u>	<u>% Completed</u>
North Service Area Water System	\$2,650,964	54%
Zone 2 SID Water System	5,648,848	24%
Rebuild 6800 North	340,500	44%
Harvest Hills Regional Park	1,400,000	25%
Harvest Hills Canal Parkway Trail	316,684	3%

NOTE 8 - CAPITAL LEASE COMMITMENTS

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Building	\$1,121,024
Machinery and Equipment	430,365
Less: Accumulated Amortization	<u>(128,256)</u>
Total	<u><u>\$1,423,133</u></u>

Amortization of capital assets purchased under capital leases is included in depreciation.

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 8 - CAPITAL LEASE COMMITMENTS (Continued)

The following is a schedule of yearly future lease payments under governmental fund-type capital leases together with the present value of net minimum lease payments as of June 30, 2006:

Year Ended June 30,	Governmental Fund Equipment	Enterprise Fund Equipment
2007	\$ 60,935	\$11,728
2008	62,829	11,728
2009	51,735	11,728
2010	46,885	11,728
2011	24,582	6,752
2012	23,336	6,752
2013	23,336	6,752
2014	23,336	6,752
2015	<u>22,389</u>	<u>6,478</u>
Total minimum lease payments	339,363	80,398
Less: amount representing investment	(44,499)	(11,799)
Present value of minimum lease payments	<u>\$294,864</u>	<u>\$ 68,599</u>

Year Ended June 30,	Governmental Fund Building
2007	\$ 104,193
2008	104,193
2009	104,193
2010	104,193
2011	104,193
2012	104,193
2013	104,193
2014	104,193
2015	104,193
2016	104,193
2017	104,193
2018	104,193
2019	104,193
2020	104,193
2021	104,193
2022	104,193
2023	104,193
2024	104,193
2025	<u>43,429</u>
Total minimum lease payments	1,918,903
Less: amount representing interest	(619,020)
Present value of minimum lease payment	<u>\$1,299,883</u>

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 8 - CAPITAL LEASE COMMITMENTS (Continued)

The City is acquiring a portion of a building under a long-term leasing arrangement. The building is used for the City's administration. Payments are \$8,682.77 per month from January 2006, until June 2025, at interest rates varying from 4.760% to 4.480%. The building is security for this lease.

The future minimum lease payments under all leases as of June 30, 2006 are:

Year Ended June 30,	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
2007	\$ 165,128	\$ 11,728
2008	167,021	11,728
2009	155,928	11,728
2010	151,078	11,728
2011	128,775	6,752
2012	127,529	6,752
2013	127,529	6,752
2014	127,529	6,752
2015	126,582	6,478
2016	104,194	-
2017	104,193	-
2018	104,193	-
2019	104,193	-
2020	104,193	-
2021	104,193	-
2022	104,193	-
2023	104,193	-
2024	104,193	-
2025	<u>43,429</u>	<u>-</u>
Total minimum lease payments	2,258,266	80,398
Less: amounts representing interest	(663,519)	(11,799)
Present value of minimum lease payments	<u>\$1,594,747</u>	<u>\$ 68,599</u>

NOTE 9 - LONG-TERM DEBT

Changes in long-term debt

The following is a summary of bond, capital lease and other debt transactions for the City for the year ended June 30, 2006:

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 9 – LONG-TERM DEBT (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 29,621	\$ 7,224	\$ -	\$ 36,845	\$ -
Capital Lease	1,405,365	289,277	(99,895)	1,594,747	91,481
Total	<u>\$ 1,434,986</u>	<u>\$ 296,501</u>	<u>\$ (99,895)</u>	<u>\$ 1,631,592</u>	<u>\$ 91,481</u>
Business-Type Activities:					
Capital Lease	\$ -	\$ 77,642	\$ (9,043)	\$ 68,599	\$ 9,033
Note Payable		21,000,000	(1,712,250)	19,287,750	1,015,145
Water Revenue Bonds	2,181,000	2,631,000	(2,181,000)	2,631,000	69,000
Total	<u>\$ 2,181,000</u>	<u>\$ 23,708,642</u>	<u>\$ (3,902,293)</u>	<u>\$ 21,987,349</u>	<u>\$ 1,093,178</u>

Bonds payable at June 30, 2006 are comprised of the following individual issues:

Water Revenue Bonds

\$2,031,000 Water Revenue Bonds Series 2005 – due in annual installments of \$69,000 to \$142,000 through January 1, 2026; interest of 3.840% payable annually – water charges for service, water impact fees, and other water revenues are pledged as security for these revenue bonds \$2,031,000

\$3,500,000 Water Revenue Bonds Series 2006 – due in annual installments of \$127,000 to \$248,000 through January 1, 2027; interest of 3.200% payable annually – water charges for service, water impact fees and other water revenues are pledged as security for these revenue bonds. As of June 30, 2006, only \$600,000 had been drawn \$600,000

Water Revenue Bonds Refunded

Water Revenue Bonds Series 2005 for \$2,031,000 refunded the Water Revenue Bonds Series 2004 in the amount of \$2,181,000. The refunding was done to decrease the interest rate from 5.65% to 3.84% and to obtain longer permanent financing 0

Note Payable to Lake Mountain Mutual Water Company

\$21,000,000 was obligated to by an existing water system. There is no interest on this debt. The City will pay \$2,000 to LMMWC for each culinary water connection sold by the City. If the debt is not paid in full by February, 2025, the City will make a balloon payment of any remaining balance \$19,287,750

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 9 – LONG-TERM DEBT (Continued)

Subsequent 5-Year Debt Disclosure

The combined principal amounts of bonds and notes payable for the next 5 years and to maturity are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,084,145	\$ 160,462	\$ 1,244,607
2008	1,214,145	187,341	1,401,486
2009	1,221,145	180,512	1,401,657
2010	1,218,145	173,440	1,391,585
2011	1,236,145	166,445	1,402,590
2012	1,176,145	63,590	1,239,735
2013	1,102,145	60,365	1,162,510
2014	1,105,145	57,024	1,162,169
2015	1,109,145	53,568	1,162,713
2016	1,112,145	49,958	1,162,103
2017	1,116,145	46,234	1,162,379
2018	1,120,145	42,355	1,162,500
2019	1,124,145	38,323	1,162,468
2020	1,128,145	34,138	1,162,283
2021	1,132,145	29,798	1,161,943
2022	1,137,145	25,306	1,162,451
2023	1,142,145	20,621	1,162,766
2024	1,147,145	15,744	1,162,889
2025	1,151,140	10,675	1,161,815
2026	142,000	5,453	147,453
Total	<u>\$21,918,750</u>	<u>\$1,421,352</u>	<u>\$23,340,102</u>

Interest included as Direct Expense

Interest expense of \$76,603 is shown separately in the governmental activities and none is included in the functions of the governmental activities.

NOTE 10 - RETIREMENT PLAN

Local Governmental - Cost Sharing

Plan Description. City of Saratoga Springs contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System) and Firefighters System for employers with Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 10 - RETIREMENT PLAN (Continued)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. City of Saratoga Springs is required to contribute a percent of covered salary to the respective systems, 11.09% to the Noncontributory and 8.61% to the Firefighters System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

City of Saratoga Springs contributions to the Noncontributory Retirement System for June 30, 2006, 2005 and 2004 were \$122,605, \$89,406, and \$59,871 respectively; and for the Firefighters System the contributions for June 30, 2006, 2005 and 2004 were \$7,786, \$4,701, and \$4,302 respectively. The contributions were equal to the required contributions for each year.

401-K Plan

The City has also established a 401-K (defined contribution system) with the Utah Retirement System. The City has made contributions for June 30, 2006, 2005, and 2004 of \$37,646, \$8,206, and \$9,157 respectively.

NOTE 11 - CONTINGENCIES

Litigation - The City is a defendant in certain legal actions and pending actions, or in process for miscellaneous claims. The ultimate liability that might result from the final resolution of the above matters is not presently determinable. City management is of the opinion that the final outcome of the cases will not have an adverse material affect on the City's financial statements.

NOTE 12 - RESTRICTED AND RESERVED FUND BALANCES

Capital Projects Fund

An amount is set aside for Impact Fees not yet expended	\$5,409,906
Amount is reserved for an advance to the sewer fund	300,927

General Fund

Unspent portion of "C" Road Funds	432,340
-----------------------------------	---------

CITY OF SARATOGA SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 12 - RESTRICTED AND RESERVED FUND BALANCES (Continued)

Sewer Fund

An amount is set aside for impact fees not yet expended	\$1,805,829
---	-------------

Water Fund

An amount is set aside for impact fees not yet expended	<u>268,258</u>
Total	<u>\$7,916,333</u>

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to purchase commercial insurance for some of these risks. Various policies are purchased through insurance agencies to cover life, health, workers compensation, and other employee related policies. The City also participates in the Utah Local Governments Trust (a public entity risk pool). All claims are submitted to the Utah Local Governments Trust which acts as a commercial insurer. The Trust is obligated to pay all claims covered by its plan. The plan covers liability, theft, damages and other losses. A minimal deductible applies to these policies which the City pays in the event of any loss. Settled claims resulting from these risks have not exceeded its coverage in any of the past three fiscal years.

NOTE 14 - DEFICIT FUND BALANCE

The garbage utility fund has a deficit fund balance of \$1,149.

NOTE 15 - COMMITMENTS AND SUBSEQUENT EVENTS

Several projects are in process at June 30, 2006.

1. North Service Area Water System - Total estimated cost of \$2,651,000 and is about 54% complete. It will be financed with proceeds from the \$3.5 million bond.
2. Zone 2 SID Water System - Total estimate of cost about \$6.5 million and is about 20% complete. It will be financed with short-term borrowing until completed, then long-term financing will be obtained of about \$6.5 million.
3. Rebuild 6800 North Road - Total estimated cost of \$340,000 and is about 45% complete.
4. Harvest Hills Regional Park - Estimated cost of \$1.4 million, about 25% complete.
5. Harvest Hills Canal Parkway Trail - Estimated cost of \$316,000, about 3% complete.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SARATOGA SPRINGS
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,115,915	\$ 1,508,240	\$ 1,643,200	\$ 134,960
Licenses and permits	588,228	890,600	898,102	7,502
Intergovernmental	123,043	506,511	425,849	(80,662)
Charges for services	1,189,686	1,661,000	1,865,895	204,895
Miscellaneous revenue	48,356	126,048	195,844	69,796
Total revenue	<u>3,065,228</u>	<u>4,692,399</u>	<u>5,028,890</u>	<u>336,491</u>
EXPENDITURES				
Current:				
General government	1,124,827	953,864	946,167	7,697
Public safety	1,513,525	2,374,332	2,238,115	136,217
Highways and public improvements	1,230,924	929,414	867,775	61,639
Parks and recreation	167,941	230,510	221,819	8,691
Debt service:				
Principal retirement	-	92,369	92,369	-
Interest and fiscal charges	-	73,581	72,726	855
Total expenditures	<u>4,037,217</u>	<u>4,654,070</u>	<u>4,438,971</u>	<u>215,099</u>
Excess revenues over (under) expenditures	<u>(971,989)</u>	<u>38,329</u>	<u>589,919</u>	<u>551,590</u>
Other financing sources (uses)				
Capital lease proceeds	-	365,253	289,277	(75,976)
Transfers in (out)	443,572	(871,392)	(796,842)	74,550
Total Other Financing Sources (Uses)	<u>443,572</u>	<u>(506,139)</u>	<u>(507,565)</u>	<u>(1,426)</u>
Net change in fund balance	(528,417)	(467,810)	82,354	550,164
Fund balances - beginning of year	987,008	987,008	987,008	-
Fund balances - end of year	<u>\$ 458,591</u>	<u>\$ 519,198</u>	<u>\$ 1,069,362</u>	<u>\$ 550,164</u>

The notes are an integral part of the financial statements.

SUPPLEMENTAL INFORMATION

City of Saratoga Springs
Summary of ALL Impact Fees - Annual Report
As of Date: June 30, 2006

Fiscal Yr.	Source Project	Amount collected	Running Balance	Actual Spent	Remaining Balance by Year	Budgeted Amounts	Unencumbered Balance
	Summary - All Impact Fee Funds	-	-	-	-	-	-
	1998 Summary - All Impact Fee Funds	-	-	-	-	-	-
	1999 Summary - All Impact Fee Funds	152,250	152,250	66,629	-	-	-
	2000 Summary - All Impact Fee Funds	417,697	569,947	30,052	-	-	-
	2001 Summary - All Impact Fee Funds	1,118,816	1,688,763	(348)	-	-	-
	2002 Summary - All Impact Fee Funds	1,302,534	2,991,297	831,155	-	-	-
	2003 Summary - All Impact Fee Funds	1,302,712	4,294,009	519,156	556,965	-	-
	2004 Summary - All Impact Fee Funds	1,503,157	5,797,166	1,197,616	1,278,294	-	-
	2005 Summary - All Impact Fee Funds	3,111,438	8,908,604	1,198,513	2,159,536	-	-
	2006 Summary - All Impact Fee Funds	7,488,082	16,396,686	5,627,119	6,970,745	-	-
	2007 Summary - All Impact Fee Funds	-	16,396,686	-	6,970,745	33,978,825	-
	TOTAL REVENUES:	16,396,686	16,396,686	9,469,891	6,970,745	33,978,825	2,716,577

Fiscal Yr.	Expenditures	Actual Amount Spent
	1998 Summary - All Impact Fee Funds	-
	1999 Summary - All Impact Fee Funds	66,629
	2000 Summary - All Impact Fee Funds	30,052
	2001 Summary - All Impact Fee Funds	(348)
	2002 Summary - All Impact Fee Funds	831,155
	2003 Summary - All Impact Fee Funds	519,156
	2004 Summary - All Impact Fee Funds	1,197,615
	2005 Summary - All Impact Fee Funds	1,198,514
	2006 Summary - All Impact Fee Funds	5,627,118

TOTAL EXPENDITURES: 9,469,891

AVAILABLE TO BUDGET: 6,926,795

Fund	Projects Budgeted	Amount Budgeted
31	Storm Drain	1,148,100
32	Parks	3,437,658
33	Roads	571,425
34	Public Safety	-
53	Sewer	864,500
56	Culinary Water	27,816,742
57	Secondary Water	140,400

TOTAL APPROPRIATED BUDGET: 33,978,825

UNENCUMBERED FUND BALANCE: (27,052,030)

City of Saratoga Springs

Summary of ALL Impact Fees - Annual Report

As of Date: June 30, 2006

Fiscal Yr	Source Project	Amount collected	Running Balance	Actual Spent	Remaining Balance by Year	Budgeted Amounts	Unencumbered Balance
	Storm Drain Impact Fee (fund #31)	0	0	0	0	0	0
1998	Storm Drain Impact Fee (fund #31)	0	0	0	0	0	0
1999	Storm Drain Impact Fee (fund #31)	40,655	40,655	0	0	0	0
2000	Storm Drain Impact Fee (fund #31)	82,687	123,342	0	0	0	0
2001	Storm Drain Impact Fee (fund #31)	205,996	329,338	0	0	0	0
2002	Storm Drain Impact Fee (fund #31)	240,549	569,886	53,290	0	0	0
2003	Storm Drain Impact Fee (fund #31)	235,640	805,526	91,558	181,370	0	0
2004	Storm Drain Impact Fee (fund #31)	282,477	1,088,002	104,307	463,846	0	0
2005	Storm Drain Impact Fee (fund #31)	313,138	1,401,140	112,993	776,984	0	0
2006	Storm Drain Impact Fee (fund #31)	436,394	1,837,534	262,008	1,213,378	0	0
2007	Storm Drain Impact Fee (fund #31)	0	1,837,534	0	1,213,378	1,148,100	0
	TOTALS:	1,837,534	1,837,534	624,156	1,213,378	1,148,100	65,278
	Parks Impact Fee (fund #32)	0	0	0	0	0	0
1998	Parks Impact Fee (fund #32)	0	0	0	0	0	0
1999	Parks Impact Fee (fund #32)	44,650	44,650	0	0	0	0
2000	Parks Impact Fee (fund #32)	123,217	167,866	0	0	0	0
2001	Parks Impact Fee (fund #32)	306,967	474,834	0	0	0	0
2002	Parks Impact Fee (fund #32)	358,456	833,290	515,636	0	0	0
2003	Parks Impact Fee (fund #32)	351,141	1,184,431	299,265	0	0	0
2004	Parks Impact Fee (fund #32)	366,186	1,550,617	293,553	0	0	0
2005	Parks Impact Fee (fund #32)	512,092	2,062,709	183,670	0	0	0
2006	Parks Impact Fee (fund #32)	1,401,243	3,463,952	1,255,696	916,133	0	0
2007	Parks Impact Fee (fund #32)	0	3,463,952	0	916,133	3,437,658	0
	TOTALS:	3,463,952	3,463,952	2,547,819	916,133	3,437,658	0
	Roads Impact Fee (fund #33)	0	0	0	0	0	0
1998	Roads Impact Fee (fund #33)	0	0	0	0	0	0
1999	Roads Impact Fee (fund #33)	31,020	31,020	0	0	0	0
2000	Roads Impact Fee (fund #33)	136,234	167,253	0	0	0	0
2001	Roads Impact Fee (fund #33)	339,396	506,649	0	0	0	0
2002	Roads Impact Fee (fund #33)	396,324	902,973	69,998	0	0	0
2003	Roads Impact Fee (fund #33)	388,236	1,291,210	102,869	375,595	0	0
2004	Roads Impact Fee (fund #33)	438,853	1,730,063	410,099	814,448	0	0
2005	Roads Impact Fee (fund #33)	568,103	2,298,166	62,755	1,382,551	0	0
2006	Roads Impact Fee (fund #33)	1,269,720	3,567,886	269,894	2,652,272	0	0
2007	Roads Impact Fee (fund #33)	0	3,567,886	0	2,652,272	571,425	0
	TOTALS:	3,567,886	3,567,886	915,615	2,652,272	571,425	2,080,847
	Public Safety Impact Fee (fund #34)	0	0	0	0	0	0
1998	Public Safety Impact Fee (fund #34)	0	0	0	0	0	0
1999	Public Safety Impact Fee (fund #34)	14,570	14,570	0	0	0	0
2000	Public Safety Impact Fee (fund #34)	48,370	62,940	0	0	0	0
2001	Public Safety Impact Fee (fund #34)	120,502	183,442	0	0	0	0
2002	Public Safety Impact Fee (fund #34)	140,714	324,156	127,804	0	0	0
2003	Public Safety Impact Fee (fund #34)	137,843	461,999	24,757	0	0	0
2004	Public Safety Impact Fee (fund #34)	149,555	611,554	8,833	0	0	0
2005	Public Safety Impact Fee (fund #34)	214,110	825,664	73,141	0	0	0
2006	Public Safety Impact Fee (fund #34)	622,542	1,448,206	1,257,621	0	0	0
2007	Public Safety Impact Fee (fund #34)	0	1,448,206	0	0	0	0
	TOTALS:	1,448,206	1,448,206	1,492,156	0	0	0

City of Saratoga Springs

Summary of ALL Impact Fees - Annual Report

As of Date: June 30, 2006

Fiscal Yr	Source Project	Amount collected	Running Balance	Actual Spent	Remaining Balance by Year	Budgeted Amounts	Unencumbered Balance
	Sewer Impact Fees (fund #52,53)	0	0	0	0	0	0
1998	Sewer Impact Fees (fund #52,53)	0	0	0	0	0	0
1999	Sewer Impact Fees (fund #52,53)	2,393	2,393	5,600	0	0	0
2000	Sewer Impact Fees (fund #52,53)	5,269	7,662	12,249	0	0	0
2001	Sewer Impact Fees (fund #52,53)	53,808	61,470	11,901	0	0	0
2002	Sewer Impact Fees (fund #52,53)	61,379	122,850	64,427	0	0	0
2003	Sewer Impact Fees (fund #52,53)	69,992	192,841	708	0	0	0
2004	Sewer Impact Fees (fund #52,53)	198,886	391,727	22,500	0	0	0
2005	Sewer Impact Fees (fund #52,53)	443,125	834,852	151,794	0	0	0
2006	Sewer Impact Fees (fund #52,53)	772,110	1,606,962	821,361	516,423	0	0
2007		0	1,606,962	0	516,423	864,500	0
	TOTALS:	1,606,962	1,606,962	1,090,539	516,423	864,500	0
	Water Impact Fees (fund #56)	0	0	0	0	0	0
1998	Water Impact Fees (fund #56)	0	0	0	0	0	0
1999	Water Impact Fees (fund #56)	8,861	8,861	61,029	0	0	0
2000	Water Impact Fees (fund #56)	9,696	18,558	17,803	0	0	0
2001	Water Impact Fees (fund #56)	40,760	59,317	-12,249	0	0	0
2002	Water Impact Fees (fund #56)	46,495	105,812	0	0	0	0
2003	Water Impact Fees (fund #56)	53,019	158,831	0	0	0	0
2004	Water Impact Fees (fund #56)	42,000	200,831	358,324	0	0	0
2005	Water Impact Fees (fund #56)	710,375	911,206	315,853	0	0	0
2006	Water Impact Fees (fund #56)	2,077,097	2,988,303	1,285,855	961,687	0	0
2007		0	2,988,303	0	961,687	27,816,742	0
	TOTALS:	2,988,303	2,988,303	2,026,616	961,687	27,816,742	0
	Secondary Water Impact Fee (fund #57)	0	0	0	0	0	0
1998	Secondary Water Impact Fee (fund #57)	0	0	0	0	0	0
1999	Secondary Water Impact Fee (fund #57)	10,102	10,102	0	0	0	0
2000	Secondary Water Impact Fee (fund #57)	12,224	22,326	0	0	0	0
2001	Secondary Water Impact Fee (fund #57)	51,387	73,713	0	0	0	0
2002	Secondary Water Impact Fee (fund #57)	58,617	132,330	0	0	0	0
2003	Secondary Water Impact Fee (fund #57)	66,842	199,172	0	0	0	0
2004	Secondary Water Impact Fee (fund #57)	25,200	224,372	0	0	0	0
2005	Secondary Water Impact Fee (fund #57)	350,494	574,866	298,307	0	0	0
2006	Secondary Water Impact Fee (fund #57)	908,976	1,483,842	474,683	710,852	0	0
2007		0	1,483,842	0	710,852	140,400	0
	TOTALS:	1,483,842	1,483,842	772,990	710,852	140,400	570,452

OTHER REPORTS

GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

RANDEL A. HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H. PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA
ROBERT PHELPS, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of Saratoga Springs
Saratoga Springs, UT

February 7, 2007

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs as of and for the year ended June 30, 2006, which collectively comprise the City of Saratoga Springs' basic financial statements and have issued our report thereon dated February 7, 2007. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

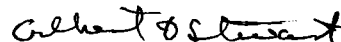
Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Saratoga Springs' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Saratoga Springs' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the State Auditor, Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT & STEWART
Certified Public Accountants

GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

RANDEL A. HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H. PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA
ROBERT PHELPS, CPA

INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE WITH APPLICABLE UTAH STATE LAWS AND REGULATIONS

Honorable Mayor and City Council
City of Saratoga Springs
Saratoga Springs, UT

February 7, 2007

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs for the year ended June 30, 2006, and have issued our report thereon dated February 7, 2007. As part of our audit, we have audited City of Saratoga Springs' compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major state assistance programs from the State of Utah:

Class "C" Road Funds (Department of Transportation)

The City also received the following non-major grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of City of Saratoga Springs's financial statements.)

Emergency 911 Training Grant

Our audit also included test work on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt	B & C Road Funds
Cash Management	Special Districts
Purchasing Requirements	Other Compliance Requirements
Budgetary Compliance	Department of Commerce - Building Permits
Property Tax	Impact Fees
Liquor Law Enforcement	Asset Forfeitures

The management of City of Saratoga Springs is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

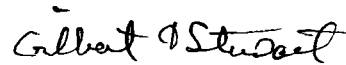
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material

noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, City of Saratoga Springs complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2006.

This report is intended solely for the information of management and Utah State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT & STEWART
Certified Public Accountants

CITY OF SARATOGA SPRINGS
MANAGEMENT LETTER

GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

RANDEL A. HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H. PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA
ROBERT PHELPS, CPA

February 7, 2007

Honorable Mayor and City Council
City of Saratoga Springs
Saratoga Springs, UT

We have completed our audit of the financial statements of City of Saratoga Springs for the year ended June 30, 2006 and have issued our report thereon dated February 7, 2007. Professional Standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated October 16, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of City of Saratoga Springs. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provision.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of Saratoga Springs are described in Note 1 to the financial statements. No new accounting policies or procedures were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the City, either individually or in the aggregate, indicate matters that could have a significant effect on the City's financial reporting process. We did propose and make certain reclassifying, and closing entries to properly reflect required recognition of revenues, expenses, and financial position in accordance with U.S. generally accepted accounting principles.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Utah State Compliance Findings - Current Year

06-1 Other General Compliance

Finding: The City has a deficit fund balance in the garbage utility fund.

Recommendation: The City should make the proper adjustment to be in compliance.

City's Response: We will make adjustments to correct the deficiency in the garbage utility fund.

Utah State Legal Compliance Findings - Prior Year

05-1 Budgetary Compliance

Finding: The City exceeded the adopted budget in the Parks and Recreation Department.

Recommendation: The City should make the proper adjustments so budgeted expenditures are not exceeded.

Auditor's Response: The City is now in compliance.

05-2 Other General Compliance

Finding: The fund balance of the General Fund exceeds the amount allowed by law.

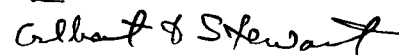
Recommendation: The fund balances should be decreased to be within the amounts allowed by the Utah Code.

Auditor's Response: The City is in compliance.

We wish to express our appreciation to the City personnel for the friendly and enthusiastic help extended to us during the course of examination.

This information is intended solely for the use of the City Council and management and should not be used for any other purpose.

Sincerely,



GILBERT & STEWART

Certified Public Accountants